

Message Text

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11

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-11 INR-10 LAB-06

NSAE-00 RSC-01 SIL-01 DODE-00 PA-03 USIA-15 PRS-01

SPC-03 DRC-01 /073 W

----- 084164

R 280032Z SEP 73

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 8210

UNCLAS MEXICO 7348

E.O. 11652: N/A

TAGS: EGEN, MX

SUBJECT: MEXICAN INDUSTRIAL LEADERS COMMENT ON NATIONAL
WAGE AGREEMENT.

REF: A. MEXICO 7269 B. MEXICO A-450

1. THE PRESIDENTS OF THREE LEADING ASSOCIATIONS OF MEXICAN
INDUSTRY COMMENTED IN THE MEXICAN PRESS ON SEPTEMBER 26, 1973,
THAT NOT ALL MEXICAN BUSINESSES WILL BE ABLE TO GRANT THE 20
PERCENT WAGE RISE JUST NEGOTIATED (REFTEL). ON THE OTHER HAND,
THEY ALSO WARNED THAT IT WOULD ONLY BE REALISTIC TO EXPECT THAT
MANY OF THE FIRMS THAT DO GRANT THE INCREASE WILL HAVE TO
INCREASE PRICES IN ORDER TO REMAIN PROFITABLE AND TO CONTINUE
INVESTMENT. (THE WAGE AGREEMENT IS NOT BINDING ON INDIVIDUAL
FIRMS; THUS SOME STRIKES MAY YET OCCUR.)

2. THE THREE PRESIDENTS QUOTED IN THE PRESS WERE CARLOS YARZA
(OF CONCAMIN), JORGE ORVANANOS (COPARMEX), AND LUIS GUZMAN DE
ALBA (AIEM). THEY REPORTEDLY HAVE RECOMMENDED TO THEIR MEMBER
FIRMS THAT THEY TRY TO ABSORB THE INCREASED LABOR COST. IF THEY
HAVE TO RAISE PRICES, IT WAS RECOMMENDED THAT IT BE NO MORE THAN
THE DIRECT COST ATTRIBUTED TO THE 20 PERCENT WAGE INCREASE.
IN THOSE INDUSTRIES WHERE THE PRICES ARE FROZEN (STEEL, SUGAR,
NATURAL GAS DISTRIBUTION), THE GOM WILL, IN THEIR OPINION, HAVE
TO AUTHORIZE HIGHER PRICES. THE POSSIBILITY OF A 40-HOUR WORK
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WEEK WAS OPPOSED AS INFLATIONARY.

3. THEY NOTED THAT THE EFFECT OF THE WAGE INCREASE WILL VARY BY INDUSTRY, DEPENDING ON LABOR INTENSIVENESS. THEY ESTIMATE THAT IN THE CHEMICAL INDUSTRY, LABOR COSTS ARE 15 PERCENT OF PRODUCTION, FOR TEXTILE 40-50 PERCENT, AND FOR CONSTRUCTION 70 PERCENT. HARDEST HIT WILL BE THOSE THAT ARE LABOR INTENSIVE, HAVE CEILING PRICES AND/OR ARE CURRENTLY marginally PROFITABLE.

4. COMMENT: THE ABOVE SOURCES ESTIMATE THAT THE 20 PERCENT NATIONAL WAGE AGREEMENT WILL ADD AN ADDITIONAL 30 BILLION PESOS ANNUALLY (U.S. \$2.4 BILLION) TO SALARIES WITH RESULTANT INCREASES IN CONSUMER DEMAND. THIS PLUS THE HIGHER LABOR COSTS WILL INCREASE INFLATIONARY PRESSURES. THE WHOLESALE PRICE INDEX IN MEXICO CITY INCREASED BY 2.5 PERCENT IN JULY WHILE NATIONAL CONSUMER PRICES ROSE BY 2.6 PERCENT AND UNOFFICIAL REPORTS INDICATE THAT THE AUGUST WHOLESALE PRICE INDEX INCREASE WAS 2.2 PERCENT. FEARS OF THE EFFECTS OF MEXICAN INFLATION ARE AN INCREASING SOURCE OF CONCERN TO MEXICAN BUSINESSMEN.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WAGES, INFLATION, BUSINESSMEN, PRICE CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 SEP 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MEXICO07348
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: MEXICO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t1973094/aaaaacie.tel
Line Count: 80
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: A. MEXICO 7269 B. MEXICO A-450
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 05 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05-Oct-2001 by maustmc>; APPROVED <27 FEB 2002 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MEXICAN INDUSTRIAL LEADERS COMMENT ON NATIONAL WAGE AGREEMENT.
TAGS: EGEN, MX
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005